

HOUSE BILL NO. 576

INTRODUCED BY R. BUZZAS

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A BILL FOR AN ACT ENTITLED: "AN ACT ELIMINATING THE OFFICE OF ECONOMIC DEVELOPMENT;  
TRANSFERRING CERTAIN RESPONSIBILITIES TO THE DEPARTMENT OF COMMERCE; AMENDING  
SECTIONS 2-18-103, 5-5-223, 15-35-108, 90-1-112, 90-1-113, AND 90-1-114, MCA; REPEALING SECTIONS  
2-15-218 AND 2-15-219, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 2-18-103, MCA, is amended to read:

**"2-18-103. Officers and employees excepted.** Parts 1 through 3 and 10 do not apply to the following  
officers and employees in state government:

- (1) elected officials;
- (2) county assessors and their chief deputies;
- (3) employees of the office of consumer counsel;
- (4) judges and employees of the judicial branch;
- (5) members of boards and commissions appointed by the governor, the legislature, or other elected  
state officials;
- (6) officers or members of the militia;
- (7) agency heads appointed by the governor;
- (8) academic and professional administrative personnel with individual contracts under the authority  
of the board of regents of higher education;
- (9) academic and professional administrative personnel and live-in houseparents who have entered  
into individual contracts with the state school for the deaf and blind under the authority of the state board of  
public education;
- (10) investment officer, assistant investment officer, executive director, and five professional staff  
positions of the board of investments;
- (11) four professional staff positions under the board of oil and gas conservation;
- (12) assistant director for security of the Montana state lottery;

- 1 (13) executive director and employees of the state compensation insurance fund;  
2 (14) state racing stewards employed by the executive secretary of the Montana board of horseracing;  
3 (15) executive director of the Montana wheat and barley committee;  
4 (16) commissioner of banking and financial institutions;  
5 (17) training coordinator for county attorneys;  
6 (18) employees of an entity of the legislative branch consolidated, as provided in 5-2-504;  
7 (19) chief information officer in the department of administration;  
8 ~~————(20) chief business development officer and six professional staff positions in the office of economic~~  
9 ~~development provided for in 2-15-218."~~

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11 **Section 2.** Section 5-5-223, MCA, is amended to read:

12 **"5-5-223. Economic affairs interim committee.** The economic affairs interim committee has  
13 administrative rule review, draft legislation review, program evaluation, and monitoring functions for the following  
14 executive branch agencies and the entities attached to agencies for administrative purposes:

- 15 (1) department of agriculture;  
16 (2) department of commerce;  
17 (3) department of labor and industry;  
18 (4) department of livestock;  
19 (5) department of public service regulation; and  
20 (6) office of the state auditor and insurance commissioner; ~~and~~  
21 ~~————(7) office of economic development."~~

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23 **Section 3.** Section 15-35-108, MCA, is amended to read:

24 **"15-35-108. (Temporary) Disposal of severance taxes.** Severance taxes collected under this chapter  
25 must, in accordance with the provisions of 15-1-501, be allocated as follows:

- 26 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article  
27 IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under  
28 17-6-203(6) and invested by the board of investments as provided by law.  
29 (2) ~~For the fiscal year ending June 30, 2003, the amount of 10% and for fiscal years beginning on or~~  
30 ~~after July 1, 2003, the amount of 12% of coal severance tax collections is allocated to the long-range building~~

1 program account established in 17-7-205.

2 (3) For ~~the fiscal year ending June 30, 2003, the amount of 6.01%~~ and for fiscal years beginning on or  
3 after July 1, 2003, the amount of 7.75% must be credited to an account in the state special revenue fund to be  
4 allocated by the legislature for local impacts, provision of basic library services for the residents of all counties  
5 through library federations and for payment of the costs of participating in regional and national networking,  
6 conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be  
7 made only from this account. Money may not be transferred from this account to another account other than the  
8 general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

9 (4) For fiscal years beginning on or after July 1, 2003, the amount of 1.27% must be allocated to a  
10 permanent fund account for the purpose of parks acquisition or management. Income from this permanent fund  
11 account, excluding unrealized gains and losses, must be appropriated for the acquisition, development,  
12 operation, and maintenance of any sites and areas described in 23-1-102.

13 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable  
14 resource loan debt service fund.

15 (6) For fiscal years beginning on or after July 1, 2003, the amount of 0.63% must be allocated to a trust  
16 fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects.  
17 Income from this trust fund, excluding unrealized gains and losses, must be appropriated for protection of works  
18 of art in the state capitol and for other cultural and aesthetic projects.

19 (7) (a) Subject to subsections (7)(b) and (7)(c), all other revenue from severance taxes collected under  
20 the provisions of this chapter must be credited to the general fund of the state.

21 (b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited  
22 in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

23 (i) \$65,000 to the cooperative development center;

24 (ii) ~~for the fiscal year beginning July 1, 2001, \$1.25 million, for the fiscal year beginning July 1, 2002,~~  
25 ~~\$925,000, and~~ for fiscal years beginning on or after July 1, 2003, \$1.25 million for the growth through agriculture  
26 program provided for in Title 90, chapter 9;

27 (iii) to the department of commerce:

28 (A) \$125,000 for a small business development center;

29 (B) \$50,000 for a small business innovative research program;

30 (C) ~~except for the fiscal year beginning July 1, 2002,~~ \$425,000 for certified communities;

1 (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;  
2 and  
3 (E) \$300,000 for export trade enhancement;  
4 ~~(iv) \$175,000 to the office of economic development for business recruitment and retention; and~~  
5 ~~(iv)~~(iv) \$600,000 to the department of administration for the purpose of reimbursing tax increment  
6 financing industrial districts as provided in 7-15-4299. Reimbursement must be made to qualified districts on a  
7 proportional basis to the loss of taxable value as a result of Chapter 285, Laws of 1999, and as documented by  
8 the department of revenue. This documentation must be provided to the budget director and to the legislative  
9 fiscal analyst. The reimbursement may not be used to pay debt service on tax increment bonds to the extent that  
10 the bonds are secured by a guaranty, a letter of credit, or a similar arrangement provided by or on behalf of an  
11 owner of property within the district.

12 (c) ~~For the fiscal year beginning July 1, 2001, there is transferred from the interest income referred to~~  
13 ~~in subsection (7)(b) \$4.85 million to the research and commercialization state special revenue account created~~  
14 ~~in 90-3-1002. For the fiscal year beginning July 1, 2002, there is transferred from the interest income referred~~  
15 ~~to in subsection (7)(b) \$3.165 million to the research and commercialization state special revenue account~~  
16 ~~created in 90-3-1002. Beginning July 1, 2003, there is transferred annually from the interest income referred to~~  
17 ~~in subsection (7)(b) \$3.65 million to the research and commercialization state special revenue account created~~  
18 ~~in 90-3-1002. (Terminates June 30, 2005--sec. 10(2), Ch. 10, Sp. L. May 2000; sec. 8(1), Ch. 12, Sp. L. August~~  
19 ~~2002.)~~

20 **15-35-108. (Effective July 1, 2005) Disposal of severance taxes.** Severance taxes collected under  
21 this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

22 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article  
23 IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under  
24 17-6-203(6) and invested by the board of investments as provided by law.

25 (2) Twelve percent of coal severance tax collections is allocated to the long-range building program  
26 account established in 17-7-205.

27 (3) The amount of 7.75% must be credited to an account in the state special revenue fund to be  
28 allocated by the legislature for local impacts, provision of basic library services for the residents of all counties  
29 through library federations and for payment of the costs of participating in regional and national networking,  
30 conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be

1 made only from this account. Money may not be transferred from this account to another account other than the  
2 general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

3 (4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks  
4 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,  
5 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas  
6 described in 23-1-102.

7 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable  
8 resource loan debt service fund.

9 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art  
10 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding  
11 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other  
12 cultural and aesthetic projects.

13 (7) All other revenue from severance taxes collected under the provisions of this chapter must be  
14 credited to the general fund of the state."  
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16 **Section 4.** Section 90-1-112, MCA, is amended to read:

17 **"90-1-112. Policy -- purpose.** (1) It is the policy of this state to:

18 (a) strengthen the foundations of the state's business environment and diversify and expand existing  
19 economic endeavors to achieve long-term economic stability;

20 (b) cooperate with business enterprises, local governments, other public organizations, and the federal  
21 government and use all practical means and measures, including financial and technical assistance, to:

22 (i) establish an economic climate in which the state's natural resources and agricultural operations  
23 remain constant contributors to the state's economic welfare;

24 (ii) articulate a coherent economic development vision for the future; and

25 (iii) take a proactive role to ensure that Montana has the flexibility and resources to be an effective  
26 competitor in the changing global marketplace.

27 (2) The purpose of ~~2-15-218, 2-15-219, and~~ 90-1-112 through 90-1-114 is to provide a vision and a  
28 direction through the development of strategies and initiatives to ensure that the state's role in expanding the  
29 economy takes place in an orderly and effective manner."  
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1           **Section 5.** Section 90-1-113, MCA, is amended to read:

2           **"90-1-113. Cooperation of state agencies.** State agencies that have economic development  
3 responsibilities shall cooperate with the ~~office of economic development~~ department of commerce and provide  
4 information, technical expertise, and other assistance when requested by the ~~office of economic development~~  
5 department of commerce."

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7           **Section 6.** Section 90-1-114, MCA, is amended to read:

8           **"90-1-114. Rulemaking authority.** ~~(1)~~ The ~~office of economic development~~ department of commerce  
9 shall adopt rules to implement the provisions of ~~2-15-218, 2-15-219~~, 90-1-112, 90-1-113, and this section. The  
10 rules must include but are not limited to:

11           ~~(a)~~(1) criteria for providing assistance to communities; and

12           ~~(b)~~(2) coordinating economic development efforts among other state agencies, Montana tribal  
13 governments, private enterprise, federal agencies, and local governments.

14           ~~(2) The office may adopt rules necessary to administer the duties and responsibilities of the office."~~

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16           NEW SECTION. Section 7. Transition. The provisions of 2-15-131 through 2-15-137 apply to [this  
17 act].

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19           NEW SECTION. Section 8. Repealer. Sections 2-15-218 and 2-15-219, MCA, are repealed.

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21           NEW SECTION. Section 9. Effective date. [This act] is effective July 1, 2003.

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